

**Creative Commons Corporation**

**Financial Statements**

**Year Ended December 31, 2005**

# **Creative Commons Corporation**

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CERTIFIED PUBLIC ACCOUNTANTS

Daniel J. Harrington, CPA  
Bruce J. Wright, CPA  
Michael J. Ellingson, CPA

## Independent Auditors' Report

Board of Directors  
Creative Commons Corporation

We have audited the accompanying Statement of Financial Position of Creative Commons Corporation (a nonprofit organization) as of December 31, 2005, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. The prior year summarized comparative information has been derived from the Organization's 2004 financial statements and, in our report dated July 22, 2005, we express an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Creative Commons Corporation as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, appearing to read "Good F&amp;E Fowler, LLP".

April 7, 2006

**Creative Commons Corporation**  
**Statement of Financial Position**  
December 31, 2005  
(With Comparative Totals at December 31, 2004)

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,133,805	\$ 889,081
Grants Receivable	2,155,000	190,000
Loan Receivable	-	12,865
Prepaid Expenses	27,749	23,328
Total Current Assets	<u>3,316,554</u>	<u>1,115,274</u>
<b>NONCURRENT ASSETS</b>		
Grants Receivable	250,000	-
Property and Equipment - Net	24,760	23,420
Total Noncurrent Assets	<u>274,760</u>	<u>23,420</u>
Total Assets	<u>\$ 3,591,314</u>	<u>\$ 1,138,694</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 27,780	\$ 22,962
Accrued Vacation	14,877	7,641
Accrued Expenses	11,425	2,172
Total Liabilities	<u>54,082</u>	<u>32,775</u>
<b>NET ASSETS</b>		
Unrestricted	1,132,232	923,639
Temporarily Restricted	2,405,000	182,280
Total Net Assets	<u>3,537,232</u>	<u>1,105,919</u>
Total Liabilities and Net Assets	<u>\$ 3,591,314</u>	<u>\$ 1,138,694</u>

**Creative Commons Corporation**  
**Statement of Activities**  
Year Ended December 31, 2005  
(With Comparative Totals at December 31, 2004)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2005</u>	<u>Total 2004</u>
<b>REVENUE AND GAINS</b>				
Foundation Grants	\$ 1,095,000	\$ 2,405,000	\$ 3,500,000	\$ 371,000
Contributions	438,941		438,941	14,429
In-Kind Contributions	61,567		61,567	124,767
Contracts	30,000		30,000	-
Interest Income	16,073		16,073	7,378
Foreign Currency Translation Gain	14,936		14,936	29,933
Prizes	4,878		4,878	11,746
Sales	1,019		1,019	1,422
Special Events			-	57,451
	<u>1,662,414</u>	<u>2,405,000</u>	<u>4,067,414</u>	<u>618,126</u>
Net Assets Release from Restrictions				
Satisfaction of Program Restrictions	<u>182,280</u>	<u>(182,280)</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	<u>1,844,694</u>	<u>2,222,720</u>	<u>4,067,414</u>	<u>618,126</u>
<b>EXPENSES</b>				
Program Services	1,276,646		1,276,646	1,105,583
Supporting Services				
Management and General Expenses	232,175		232,175	122,145
Fundraising Expenses	<u>127,280</u>		<u>127,280</u>	<u>112,517</u>
Total Expenses	<u>1,636,101</u>	<u>-</u>	<u>1,636,101</u>	<u>1,340,245</u>
<b>CHANGE IN NET ASSETS</b>	208,593	2,222,720	2,431,313	(722,119)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>923,639</u>	<u>182,280</u>	<u>1,105,919</u>	<u>1,828,038</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,132,232</u>	<u>\$ 2,405,000</u>	<u>\$ 3,537,232</u>	<u>\$ 1,105,919</u>

**Creative Commons Corporation**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2005**  
(With Comparative Totals at December 31, 2004)

		<b>Supporting Services</b>			
	<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total 2005</b>	<b>Total 2004</b>
Salaries	\$ 403,044	\$ 108,176	\$ 103,409	\$ 614,629	\$ 384,381
Payroll Taxes	35,017	9,652	9,226	53,895	31,911
Employee Benefits	18,752	5,170	4,942	28,864	11,761
	<u>456,813</u>	<u>122,998</u>	<u>117,577</u>	<u>697,388</u>	<u>428,053</u>
Consulting and Design	340,780	915		341,695	363,746
Travel and Conferences	188,079	2,374		190,453	73,221
Occupancy	93,016			93,016	35,225
Legal Fees	62,777	9,295		72,072	136,947
Publicity and Communication	58,518			58,518	48,631
Insurance		42,557		42,557	14,104
Supplies	27,533			27,533	21,811
Website Development and Hosting	15,821			15,821	53,450
Accounting Fees		15,400		15,400	4,408
Interns	15,165			15,165	-
Professional Services		14,945		14,945	1,673
Depreciation		11,586		11,586	7,461
Fund Raising Expenses			9,653	9,653	-
Miscellaneous	7,314		50	7,364	2,291
Membership and Dues	6,170			6,170	5,826
Telephone		5,383		5,383	7,534
Bank Charges		4,602		4,602	8,412
Printing	3,266			3,266	-
Recruiting	1,394			1,394	65,182
Training		1,077		1,077	-
Research Expenses		1,043		1,043	-
Special Events				-	62,270
Total Expenses	<u>\$ 1,276,646</u>	<u>\$ 232,175</u>	<u>\$ 127,280</u>	<u>\$ 1,636,101</u>	<u>\$ 1,340,245</u>

**Creative Commons Corporation**  
**Statement of Cash Flows**  
Year Ended December 31, 2005  
(With Comparative Totals at December 31, 2004)

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,431,313	\$ (722,119)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities		
Depreciation	11,586	7,461
Donated Equipment	(750)	-
(Increase) Decrease in Operating Assets		
Grants Receivable	(2,215,000)	810,000
Loan Receivable	12,865	3,753
Prepaid Expenses	(4,421)	(23,328)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	4,818	(30,016)
Accrued Vacation	7,236	7,641
Accrued Expenses	9,253	2,172
Net Cash Provided by Operating Activities	<u>256,900</u>	<u>55,564</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	<u>(12,176)</u>	<u>(21,633)</u>
Net Cash (Used) by Investing Activities	<u>(12,176)</u>	<u>(21,633)</u>
<b>NET INCREASE IN CASH</b>	244,724	33,931
<b>CASH, BEGINNING OF YEAR</b>	<u>889,081</u>	<u>855,150</u>
<b>CASH, END OF YEAR</b>	<u>\$ 1,133,805</u>	<u>\$ 889,081</u>

**Creative Commons Corporation**  
Notes to Financial Statements  
December 31, 2005

**1. Summary of Organization and Significant Accounting Policies**

**Organization** – Creative Commons Corporation (Creative Commons) is a Massachusetts nonprofit public benefit corporation devoted to expanding the range of creative work available for others to build upon and share.

**Basis of Accounting** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Basis of Presentation** – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, Creative Commons is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

**Estimates** – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of asset and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Cash and Cash Equivalents** – For purposes of the Statement of Cash Flows, Creative Commons considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Grants Receivable** – No allowance for doubtful accounts is considered necessary since the receivables relate primarily to foundation agencies.

**Property and Equipment** – Creative Commons capitalizes all expenditures for property and equipment in excess \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment.



**Creative Commons Corporation**  
Notes to Financial Statements  
December 31, 2005  
(Continued)

1. **Summary of Organization and Significant Accounting Policies – continued**

**Restricted and Unrestricted Revenue** – Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**Donated Services** – The financial statements reflect \$60,817 for donated legal services to evaluate the copyright and copy protection implications and consequences of its licensing, music storage, and collaborative artistic operations.

**Income Taxes** – Creative Commons is exempt from income taxes under Internal Revenue Section 501(c)(3). Creative Commons qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

**Functional Allocation of Expenses** – Costs of providing programs and other activities are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated to the programs and supporting services by a method which best measured the relative degree of benefit. Accordingly, certain costs have been allocated between the program and the supporting services in reasonable ratios determined by management.

2. **Concentration of Credit Risk**

Creative Commons maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2005, the uninsured cash balances total \$955,844.

**Creative Commons Corporation**  
Notes to Financial Statements  
December 31, 2005  
(Continued)

**3. Property and Equipment**

Computer Equipment	\$ 48,413
Less: Accumulated Depreciation	<u>(23,653)</u>
Total Computer Equipment	<u>\$ 24,760</u>

**4. Temporarily Restricted Net Assets**

The Temporarily Restricted Net Assets of Creative Commons are available for the following:

<u>Restricted as to purpose:</u>	
General Support for 2006 and 2007	\$ 1,150,000
International work	910,000
Science Commons	220,000
Book and Public Domain Wiki	<u>125,000</u>
Total	<u>\$ 2,405,000</u>

**5. Pension Plan**

Creative Commons has a Tax Sheltered Annuity under IRC 403(b), which allows all employees to contribute through payroll deductions. For the year ended December 31, 2005, Creative Commons made no matching contributions.